



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623



July 25, 2008

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

RECEIVED

JUL 28 2008

PUBLIC SERVICE
COMMISSION

RE: CASE NO. 2008-00062

Dear Ms. Stumbo:

In compliance with the Commission's Order dated July 18, 2008 in Case No. 2008-00062 enclosed is the original and four copies of the following revised tariff sheets:

PSC NO. 11 FIRST REVISED SHEET NO. 1
PSC NO. 11 ORIGINAL SHEET NO 39
PSC NO. 11 ORIGINAL SHEET NO. 40
PSC NO. 11 ORIGINAL SHEET NO. 41
PSC NO. 11 ORIGINAL SHEET NO. 42

Please return one stamped accepted copy showing the effective date pursuant to 807 KAR 5:011 to Delta for its files.

Please indicate receipt of the compliance filing by date stamping the enclosed duplicate of this letter and returning it for our files in the envelope provided.

Sincerely,

Connie King
Manager – Corporate & Employee Services

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

FOR All Service Areas
P.S.C. NO. 11
First Revised SHEET NO. 1
CANCELLING P.S.C. NO. 11
Original SHEET NO. 1

TABLE OF CONTENTS

	<u>Sheet Number</u>
Rate Schedules	
Residential	2
Small Non-Residential	3
Large Non-Residential	4
Interruptible Service	5 - 6
Transportation of Gas for Others:	
On-System Utilization	7 - 9
Off-System Utilization	10 - 11
Standby Service Rate Schedule	12
Gas Cost Adjustment Clause	13 - 14
Special Charges	15 - 16
Rules and Regulations	17 - 34
Weather Normalization Adjustment Clause	35 - 36
Rider for Gas Technology Institute Research & Development	37
Energy Assistance Program Rider	38
Conservation/Efficiency Program Cost Recovery	39 - 42

DATE OF ISSUE July 25, 2008 DATE EFFECTIVE July 18, 2008
ISSUED BY Glenn R. Jennings *Glenn R. Jennings* TITLE Chairman of the Board
Name of Officer President and CEO
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. 2008-00062 DATED July 18, 2008

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FOR All Service Areas
P.S.C. NO. 11
Original SHEET NO. 39
CANCELLING P.S.C. NO. _____
SHEET NO. _____

CLASSIFICATION OF SERVICE
RATE SCHEDULES

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17. This tariff applies to all gas sold by Delta under Delta's residential tariff (Tariff Sheet No. 2).

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY COMPONENT (CEPRC)

Delta's Conservation/Efficiency Program (the Program) is a demand-side management program established to promote conservation and the efficient use of natural gas by Delta's residential customers.

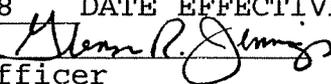
The prices to residential customers shall be increased monthly by an amount hereinafter described as the Conservation/Efficiency Program Cost Recovery Component (CEPRC), which allows Delta to recover costs associated with the Program.

DETERMINATION OF CEPRC

The Company shall file an annual report with the Commission which shall contain updated CEPRC rates at least thirty (30) days prior to the effective date of the new rates. The annual amount computed under the Conservation/Efficiency Program Cost Recovery Component shall be collected based on the CEPRC amount divided by the expected usage for the upcoming program year. For purposes of determining the CEPRC, the program year is defined as the twelve months ended October 31, with rates effective as of the following February 1. The amounts billed under the CEPRC will be computed solely on actual consumption.

The CEPCR is calculated using the following formula:

$$\text{CEPRC} = \text{CEPCR} + \text{CEPLS} + \text{CEPI} + \text{CEPBA}$$

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CLASSIFICATION OF SERVICE
RATE SCHEDULES

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

Whereby:

CEPCR = CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY

The CEPCR shall include all actual costs which have been approved by the Commission for each twelve month period for conservation/efficiency programs of the Company "approved programs". Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating CEP programs. In addition, all costs incurred including, but not limited to, costs for consultants, employees and administrative expenses, will be recovered through the CEPCR.

CEPLS = CEP REVENUE FROM LOST SALES

Revenues from lost sales due to CEP programs implemented on and after the effective date of this tariff will be recovered as follows:

The estimated reduction in customer usage (in Ccf) as a result of the approved programs for the previous twelve months shall be multiplied by the non-variable revenue requirement per Ccf for purposes of determining the lost revenue to be recovered hereunder. Non-variable revenue requirement is base rate charged to the applicable rate class under this tariff.

The aggregate lost revenues attributable to the program participant shall be divided by the estimated residential sales (in Ccf) for the upcoming twelve-month period to determine the applicable CEPLS surcharge.

Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the CEPLS until the implementation of new base rates pursuant to a general rate case.

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CLASSIFICATION OF SERVICE
RATE SCHEDULES

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

Revenues collected hereunder are based on engineering estimates of energy savings, actual program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the CEP Balance Adjustment (CEPBA) component.

CEPI = CEP INCENTIVE

For all Conservation/Efficiency Programs, the CEP incentive amount shall be computed by multiplying the net resource savings estimated from the approved programs times fifteen (15) percent. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of Delta's avoided commodity costs over the expected life of the program.

The CEP incentive amount shall be divided by the expected Ccf sales for the upcoming twelve month period to determine the CEPI. CEP incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

CEPBA = CEP BALANCE ADJUSTMENT

The CEPBA shall be calculated on a twelve month basis and is used to reconcile the difference between the amount of revenues actually billed through the CEPPCR, CEPLS, CEPI and previous application of the CEPBA and the revenues which should have been billed.

The program has an October year-end with rates effective February 1.

The CEPBA is the sum of the following components:

- The amount estimated to be recovered during the current program year from February 1 through October 31 less actual recovery.

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CLASSIFICATION OF SERVICE
RATE SCHEDULES

CONSERVATION/EFFICIENCY PROGRAM COST RECOVERY
APPLICABLE TO RESIDENTIAL RATE SCHEDULE

- The amount estimated to be recovered during the prior program year from November 1 through January 31 less actual recovery.
- The balance adjustment amounts determined on the basis of the above paragraphs (1) and (2) shall include interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period.

The balance adjustment amounts, plus interest, shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the CEPBA for each rate class.

Modifications to CEPRC

The filing of modifications to the CEPRC which require changes in the CEPCR component shall be made at least two months prior to the beginning of the effective period for billing. Modifications to other components of the CEPRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

(1) A detailed description of each CEP program, the total cost of each program over the previous twelve month period and budgeted costs for the next program year, an analysis of expected resource savings, information concerning the specific CEP or efficiency measures to be installed, and any applicable studies which have been performed, as available.

(2) A statement setting forth the detailed calculation of the CEPCR, CEPLS, CEPI, CEPBA and CEPRC.

Each change in the CEPRC shall be placed into effect with bills rendered on and after the effective date of such change.

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